



MAYOR ALAN AUTRY

September 22, 2003

To the Citizens of Fresno and the City Council:

Developing the FY 2004 budget was particularly challenging given the continuing weakness in the economy and uncertainties concerning the level of funding from the State and Federal governments, combined with the ever-increasing needs of our community. Our vision for the citizens of the City of Fresno is to build and preserve a city that creates and protects equal access to opportunities, education and quality of life for every Fresnan in every neighborhood. This structurally sound budget, will provide a lasting foundation for this vision in these difficult economic times.

When faced with trials like these, it is essential that the City assess its strengths, focus its priorities, and meet the challenges head on. I am pleased to say that this budget strikes a balance between dealing with today's uncertainties and addressing the future's needs. This balance was struck by adhering to four primary cornerstones, which lay the foundation for a multi-year strategy that is crucial in keeping this City moving forward.

1. **Maintain Essential Services** - Within this budget, the essential services provided by all departments is preserved. A particular emphasis has been placed on our commitment to public safety and the prevention of violent crime. The battle waged on violent crime includes several specific initiatives that have proven successful and are included in this budget plan. This budget was built to include resources for District Crime Suppression Teams, a Street Violence Bureau and Parole Apprehension Teams. The budget includes resources to fund 251 firefighter positions, which is a 12 percent increase in just three years. We have also been faced with addressing the maintenance needs of our police and fire facilities. This budget proposes a \$7.9 million plan to make much needed improvements to various Police and Fire stations throughout the City. Also, the budget includes \$2.7 million for the construction of a Fire Station in Southeast Fresno.
2. **Investment in Job Creation through Economic Development** - The Fresno area continues to be plagued by an unemployment level that is much higher than state and national levels. The solution to this problem demands more than a simplistic statement that we need more businesses. It demands a broad perspective and a long-term view. The "Meeting the Challenge" report clearly identified job creation as a determining factor of the future health of our City. It requires investing in our youth so that they have the educational base to be productive employees. It requires that our fees are reasonable, so that we are encouraging business to operate in Fresno. Finally, it requires a safe city where businesses can prosper. This budget continues our commitment to fund those initiatives, which over time will be a giant leap forward in bringing our unemployment levels in line with national and state levels. Key economic development projects funded in this budget include

the Roeding Business Park, the Regional Jobs Initiative and downtown revitalization efforts. In addition, a deliberate effort to expedite customer service to the development community has resulted in additional resources being added to the Planning & Development Department to improve the turnaround times for the thousands of requests for community projects.

3. **Increased Investment in Neighborhood Infrastructure** - When it comes right down to it, a city is a collection of neighborhoods. The quality of a neighborhood community is dependent on the health of the neighborhood as a whole and not just the interior. I am proud that this budget continues our program of neighborhood infrastructure improvement projects, delivering a record level investment of \$18.5 million for concrete, street, sidewalk and gutter repairs in addition to crosswalks, flashing beacons in front of our schools, street lamps and pedestrian walkways. When our neighborhoods succeed, our City succeeds. Thus, it is critical that City resources be dedicated to improving those neighborhoods that need assistance and preserving those neighborhoods that are healthy. This budget provides \$2.4 million in grant matching funds that reap over \$19 million in projects. This budget also continues the successful partnership that our administration has forged with the City Council by funding the Council infrastructure budgets, so that Councilmembers can address specific neighborhood needs. In addition, it addresses the needs of neighborhoods to have a community-gathering place by initiating a program to fund pocket parks, and to identify a site and develop the design for a Little League Park in Southwest Fresno.
4. **Protect the Reserves** - These fiscally challenging times call for common sense and prudent financial decision making – we must protect ourselves from “Hurricane Sacramento.” This will allow the City of Fresno to move conservatively yet relentlessly forward, while protecting our reserve. But we must not ignore the need to abide by the fundamental conservative principle of investing in ourselves. This budget does that by investing in job creation through economic development while protecting the reserve.

The Convention Center is at a critical crossroad in this year's budget. The Center is facing a future of unprecedented issues which, if left unaddressed, will have an adverse impact upon the Center, the City's General Fund, the City's efforts towards downtown revitalization and job creation. To address these demands, this budget includes the privatization of professional marketing and operating services for the Convention Center. An RFP was issued earlier this Spring and two proposals were received. Council approved the proposal presented by Global Spectrum. As a result, this budget estimates a reduction of the General Fund subsidy to the Convention Center of approximately \$341,000. These savings will be utilized to fund debt service payments for \$10 to \$12 million in capital improvements and renovations of Selland Arena. However, as the first payment for these renovations will not be made in FY 2004, \$341,000 of this amount has been used to fund neighborhood infrastructure projects, thereby offsetting a loss of State funding. No issue will have a greater immediate and long-term impact on the City of Fresno than the Convention Center. Privatization is the only way to reduce the Center's multi-million dollar dependency on the General Fund which will in turn free up much needed resources for our neighborhoods.

Air Quality is another key initiative of this budget that affects economic development. The initiative includes resources of more than \$11 million for Clean Air Street projects; over \$3 million for CNG buses; \$2.1 million for 12 clean burning fuel refuse trucks; and approximately \$2 million for facility improvements to handle these new clean air vehicles. The budget also funds Operation Clean Air, a regional initiative brought forth by a coalition of local Valley cities, counties, businesses, agriculture, non-profits, health and environmental groups that are committed to taking action on improving our air quality.

Funding for senior citizen initiatives for ongoing programs has increased from last year. We have doubled the funding for senior activities in neighborhood parks and maintained our commitments to the Senior Therapeutic, Senior Paint and Emergency Repair grants. Due to a precipitous drop in donations, we have greatly increased the City's contribution for the Senior Hot Meals program.

While this budget is built on what is believed to be conservative estimates, we cannot predict what the State and the Federal governments will do with some of the funding sources used to build this budget. Of particular concern to us is the vulnerability of the Vehicle License Fee (VLF) revenues. As the State continues to grapple with its budget situation, the possibility remains that the State will use local VLF revenues to balance its books. For us, it would mean up to an \$18 million reduction in revenue to the General Fund. A minority of cities built their budgets assuming that no VLF revenue will be provided to cities. I believed that taking that step would result in unnecessary anxiety for our employees and citizens because it would have required us to make drastic cuts. Thus, Fresno marched in step with the majority of California cities in assuming no reduction in VLF revenues in the Budget. State budget action that was enacted subsequent to the adoption of our City Budget resulted in a deferral in VLF revenues of \$5.078 million. In their FY 2004 budget, the State makes a commitment to payback the deferred VLF. To confirm the promise to payback local governments, legislation was constructed, passed and signed by the Governor to affirm the deferral as a loan from cities to the State to be paid back in three years. This language provides local governments with the option of bonding the amount of the current year revenue loss, utilizing the repayment of the loan from the State as collateral. On August 26, 2003 Council directed action to proceed with the issuance of Bond Anticipation Notes in the amount of \$5.078 million to be paid back by the Motor Vehicle In-Lieu backfill repayment from the State of California.

The Governor's recall election may result in additional negative impacts to the City of Fresno's revenue stream. City staff have developed contingency plans to deal with the potential impacts of the State budget crisis which are part of my proposed alternatives that will need to be considered once the impact of "Hurricane Sacramento" is known.

To prepare for the storm, this budget document contains an outline of the unpleasant options we will be forced to consider. These options include, in priority order: 1) implementing all user fees as originally submitted to Council; 2) seeking employee salary give-backs on a permanent or temporary basis; 3) taking the painful steps of cutting essential City services; and, 4) using part or all of the City's reserve which would leave the City even more vulnerable during the remaining 5-7 years that it will take for the State to climb out of this fiscal crisis. Council action will be required to make adjustments as necessary. These contingencies are not pleasant to put together or discuss, but address them we must. Today, like never before, failing to prepare is preparing to fail.

During FY 2003, the City Council initiated a study of all of the City's fees by Maximus, Inc. These fees, for services that are provided to our citizens, number over 3,000 and are included in the City's

Master Fee Resolution. The Maximus study was performed for two primary purposes: 1) to determine to what extent the City was recovering its cost for providing fee-related services; and 2) to determine what changes would be necessary to recover the cost for providing these services. If a fee does not recover the full cost of providing the service, it results in a General Fund subsidy which shifts funds away from the critical, high priority needs such as public safety and job creation.

The Maximus fee study found that over 700 fees were not recovering the full cost of the services provided. However, before an increase in a fee was considered, our Administration required the Department responsible for the service to demonstrate with clarity and certainty that the cost recovery was justified and that the services are being provided as efficiently and effectively as possible.

The building of this budget required creativity, dedication, and hard work. I can't think of three better terms to describe our City employees. When faced with difficult financial conditions, our employees rise to the challenge by delivering services in a manner that can only be described as outstanding. All of us should be proud to work with the dedicated men and women on the City of Fresno's team.

Additionally, the Budget Committee of the City Council identified their top nine priorities for the next fiscal year. After conscientious and collaborative effort, I am pleased to say that this budget addresses all of the Budget Committee's priorities.

As I mentioned earlier, this budget was built upon four cornerstones. I am committed to maintaining these cornerstones as the way to build a strong and lasting foundation for Fresno. It is my firm belief that the course laid by these objectives builds a strong long-range, multi-year strategy for the City of Fresno.

Today, we are facing some of the most challenging times in the history of our Country, State and City. In times such as these, we are morally obligated to put away self-serving politics and embrace the self-sacrifice of public service. By coming together, working together, and facing our problems head on, we can ensure a healthy future for our City. Our children and grandchildren are depending on us to do just that, and we cannot--and will not--let them down.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Alan Autry".

ALAN AUTRY  
Mayor